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Testimony for Hearing
Ensuring Access to Affordable Health Care
Senate Committee on Health, Education, Labor, and Pensions
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Good morning, Senator Jeffords.

Thank you for this opportunity to testify about access to affordable health care, a subject of critical importance and growing concern for so many of us. I will share my family's experience and my observations of other small businesses and sole proprietors in Vermont.

No one in my family has been denied access to quality health care, or access to health insurance. The limitations of managed care, however, are becoming a burden for my eighty-eight year old mother who has experienced difficulty in making and then lengthy waits for appointments with her primary care physician in California.

In Vermont it is possible for any small business or sole proprietor to buy adequate health insurance, thanks to our laws requiring community rating. Also, the quality of health care in Vermont is excellent. For the very small business the key issue and greatest complaint is affordability.

What do we mean by "affordability"? If an individual is faced with health care needs, affordability of insurance is relative to the actual cost of the care. For a business, however, affordability is relative to revenues and other expenses. To put "affordable" into context, my premiums for single person coverage have increased nearly 18% in the last three years from \$185 per month (\$2220 per year) to \$225 per month (\$2700 per year). In addition I make \$10 co-payments with each office visit and pay 50% of the cost of prescriptions used daily.

Is that "affordable"? For me personally, yes. However, if my small business had to pay that amount in

premiums for several other employees, or the much higher family rates, it would be an onerous expense.

It was my good fortune and privilege to serve in the Vermont Legislature in 1991 and 1992 when the health care crisis was the top issue, and when community rating became law. Insurance companies that had been cherry picking offering insurance only to healthy clients had to change their practices or leave the state. As a result, access was assured to all small businesses and their employees.

The down side, however, was increased premiums for many small businesses that were in the healthy employee category. According to individuals who have commented at forums on health care this year, this has led to two unintended results: some businesses have simply ceased to offer health insurance to their employees; some others have made the risky decision to self-insure.

In Vermont the vast majority of businesses are small: over 90% of businesses have fewer than 50 employees. It is my understanding that these are the businesses that are covered by our forward-looking community rating requirements.

However, of Vermont's total average employment of 274,355 only 130,912 (48%) are small business employees. Over half of Vermont workers are employed either by bigger businesses (36%) or by government (16%). (Vermont Department and Training, 1997) That means that over half of Vermont employees are insured outside of the community rated small business insurance pool.

I believe that is a major reason small business insurance is so expensive, and the insurance companies carrying it are overburdened. With a small population to begin with, and the dropping out of some of the healthier groups, there are simply not enough individuals in the pool to spread the risk.

At several health care forums this year Governor Dean identified four causes for the double-digit increases in health insurance premiums this year, attributing approximately equal value to each. He listed the cost

shift (Medicare and Medicaid), increased cost of prescription drugs, increased utilization of health services, and government mandates (requiring specific coverage like chiropractic treatment).

Faced with all these issues, what can government do to keep health care affordable? I would suggest that higher reimbursement rates for Medicare and Medicaid, and fewer mandates are an important start. Addressing the exorbitant cost of prescription drugs is also a priority. Utilization is the responsibility of every individual to make healthy lifestyle decisions.

I applaud your efforts through the CARE legislation to help individuals pay for insurance. However, I worry that this is just one piece of this complex puzzle. With all the forces mentioned above at work, the cost of insurance will continue to rise and there is no guarantee that this \$1000 or \$2000 will be enough to purchase adequate coverage, or that coverage will be available.

Individuals and small businesses are at a disadvantage. We do not have the same bargaining power as big business or the government. I don't have the documentation, but it seems to me that the lowest insurance rates and payments for care go to those groups - to large employee groups and to Medicare and Medicaid programs. I encourage you to include in the CARE legislation a requirement that coverage be available, and that it is offered at rates that are comparable to those negotiated by the largest groups.

Thank you again for this opportunity to testify.

